ROUTING AND RECORD SHEET

SUBJECT: (Optional)

STAT
STAT

FROM:	EXTENSION	NO.
[redacted] Chief, Insurance Branch 915 Ames Building	[redacted]	DATE 15 December 1983

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TO: (Officer designation, room number, and building)	DATE RECEIVED	DATE FORWARDED	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
1. [redacted] Special Asst./DD/Pers/SP				FYI
2. [redacted]				
3.				
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FORM 1-79 610 USE PREVIOUS EDITIONS

Mutual of Omaha Insurance Co ■ V. J. Skutt, Chairman of the Board ■ J. D. Minton, President

Mutual of Omaha

People you can count on...

November 21, 1983

STAT

Government Employees
Health Association
P.O. Box 463
Washington, DC 20018

Medicare Supplement Plan

STAT

Dear

Attached are monthly premium rates for 1984 for a separate Medicare Supplement plan for members of GEHA that are eligible for Medicare. I realize that any such plan developed would likely not take effect until after 1984. However, the best cost data that we have available has just been developed and is for 1984. It should provide you with a good indication of the relative worth of items that make up the Medicare Supplement plan and how such costs relate to those in the Association Benefit plan.

The Medicare Gapfiller model is probably the easiest Medicare Supplement plan to understand. It simply pays those hospital and medical expenses that Medicare specifically does not pay. That is, the deductibles, copayments and coinsurance. We've also included estimates of cost for nursing care and prescription drugs. These items are not covered by Medicare, but they are utilized quite heavily by Medicare aged individuals and are currently covered under the Association Benefit plan to some degree.

In considering a separate Medicare Supplement plan, we want to caution you on the potential adverse effect it would have on the Association Benefit plan. The primary reason is that which we discussed with you back in February when consideration was given to having a lower option under the Association Benefit plan. The Medicare eligible members of the Association Benefit plan have a very definite impact on keeping the overall rates for the plan down. In 1982, for example, recoveries from Medicare to the Association Benefit plan were 13% of total paid claims. If you take these recoveries away from the claim experience and also deduct the premium attributable to the Medicare eligible members, I think you can see that the impact on the members remaining in the Association Benefit plan would be fairly harsh. Everything else being equal, we would expect the overall premium to go up at least 13% and possibly more just due to setting up a separate Medicare Supplement plan.

If you have any questions on the material provided, please do not hesitate to contact Larry Keck in our Washington Office. He will be back in the office on November 28, 1983. We would also be happy to provide more information on this matter if you feel it is necessary.

Sincerely,

Bob

Robert S. Murphy
Second Vice President

1m11042m

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION
ESTIMATED 1984 MEDICARE GAP FILLER PREMIUM RATES

	1984 Monthly Premium Rates
PART A	
HOSPITAL BENEFITS	$18.69
$356 Deductible $89 Per Day Coinsurance (61st to 90th Day) $178 Cost 91st to 150th Day 100% of Cost 150th to 365th Day First three pints of blood	
SKILLED NURSING FACILITIES	
$44.50 Per Day Coinsurance (21st to 100th Day)	$ 2.10
PART B	
MEDICAL CARE BENEFITS	$27.96
$75 Deductible 20% Coinsurance	
ADDITIONAL BENEFITS	
PRIVATE DUTY NURSING CARE	$ 4.07
100% of RN (No inpatient, 1000 hours in home at $15/hour)	
PRESCRIPTION DRUGS	
No Deductible, 80% Coinsurance	$ 8.30
$25 Deductible, 80% Coinsurance	$ 5.78
$50 Deductible, 80% Coinsurance	$ 2.38

1983 OPEN SEASON ANALYSIS

STAT Approximately [redacted] employees made health insurance enrollment changes
STAT during the 1983 Open Season. In addition, over [redacted] CIARDS retirees also changed plans. It will be several months before we receive certification of the number of Civil Service retirees who also changed. However, we believe that the number of Civil Service retiree changes will be equal to or greater than the CIARDS retirees. Nearly 50% of all the changes probably will involve the Agency sponsored plan and will result in a net
STAT loss of between [redacted] policyholders or about 6% or 1983 enrollment. The significance of this loss increases substantially under closer scrutiny.

This study is directed principally at those employee policyholders who left the ABP for other plans in the Federal Employees Health Benefits Program. It addresses who they are - 16% of employee policyholders who could switch did. It analyses these policyholders by grade, use patterns and where they went. It also addresses what their loss means to the Plan financially. Finally it demonstrates that the change patterns of retirees and employees are similar.

From this analysis we conclude that the Association Plan has been significantly adversely affected by the 1983 Open Season. Without our captive
STAT audience losses could have amounted to [redacted] of our employee population. Our analysis indicates that cost in general was judged more important than comprehensive benefits and that the 1984 rates and benefits displeased policyholders equally regardless of grade. This conclusion should be tested further through a survey of those leaving the Plan. A draft survey questionnaire to do this has been prepared for dissemination.

The results of this survey together with the consultant's theoretical benefit and administration analysis (already underway) should provide the Board of Directors with several remedial options to consider:

1. Develop a low option to operate in conjunction with the current plan.

2. Develop a lower cost new plan with benefits somewhere between a low and high option.

3. Provide additional government subsidization over current level to keep benefits comprehensive but at reasonable cost for those who have no choice.

All of these have been considered before. The difference this year is that economically speaking, we have now gone beyond what the market will bear and significant action is now a requirement and no longer an option.